

Message Text

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17

ACTION ARA-20

INFO OCT-01 AF-10 EUR-25 EA-11 NEA-14 ISO-00 AEC-11 AID-20

CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 EB-11 FPC-01

H-03 INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

FRB-03 FEA-02 PA-04 PRS-01 USIA-15 DRC-01 /233 W

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R 192033Z JUL 74

FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 4855
INFO AMEMBASSY BEIRUT
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LIMA
AMEMBASSY LONDON
AMEMBASSY PORT OF SPAIN
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
AMCONSUL DHAHRAN
USMISSION OECD PARIS

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EO 11652: NA

TAGS: ENRG VE

SUBJECT: ASHLAND OIL OFFICIALS VISIT VENEZUELA

BEGIN SUMMARY: SENIOR OFFICIALS OF ASHLAND OIL VISITED THE EMBASSY
FOR A BRIEFING ON THE DEVELOPING NEW GOV PETROLEUM POLICY, AND ON
VENEZUELA'S ROLE AND FUTURE POLICY IN THE ANDEAN PACT. ASHALND HAS
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A MINOR PARTICIPATION IN CURRENT VENEZUELAN PRODUCTION OF 5,000

B/D. END SUMMARY

1. JOHN R HALL AND J.D. HUGHES, EXECUTIVE VICE PRESIDENTS, AND WILLIAM C. VOSS, VICE PRESIDENT, ASHLAND OIL, INC., VISITED EMBASSY FOR BRIEFING MORNING OF JULY 19. THEY MET WITH PETROLEUM ATTACHE AND DESCRIBED THEIR COMPANY AS LARGEST INDEPENDENT IN U.S. MARKET. THEIR DAILY U.S. DOMESTIC SALES ARE 500,000 BARRELS, BUT THEIR REFINERY RUN IS 360,000 B/D AND THEIR OWN PRODUCTION IS ONLY 50,000 B/D. THUS THEY MUST BUY A LARGE SHARE OF BOTH CRUDE OIL AND REFINED PRODUCTS ON WORLD MARKET. ASHLAND OIL'S LARGEST FOREIGN SOURCE IS CANADA (100,000 B/D), FOLLOWED BY SAUDI ARABIA (60,000 - 70,000 B/D) AND IRAN (30,000 B/D).

2. REGARDING THESE FOREIGN SOURCES, THEY EXPECT TO OBTAIN LESS FROM CANADA SINCE THAT COUNTRY WILL BE REDUCING OIL EXPORTS; THE SAUDI CONTRACT IS 93 PERCENT OF POSTED PRICE; AND IRANIAN CONTRACT, WHICH IS IN FORCE UNTIL END OF THE YEAR, WAS BOUGHT AT AUCTION AT \$17 A BARREL. THUS, THEY ARE TIED TO EXPENSIVE MIDDLE EAST PRODUCT FOR 20 PERCENT OF THEIR REQUIREMENT FOR NEXT SIX MONTHS. THEY HAVE SOME OIL IN NIGERIA BUT IT IS NOT YET IN PRODUCTION.

3. IN VENEZUELA, ASHLAND OIL HAS AN ARRANGEMENT WITH PHILLIPS PETROLEUM WHEREBY IT RECEIVES 10 PERCENT OF PHILLIPS PRODUCTION OF 50,000 B/D IN LOTS 9 (ORINOCO) AND 17 (MARACAIBO), OR 5,000 B/D. ASHLAND ALSO OWNS 40 PERCENT OF UNITED CARBON OF VENEZUELA IN VALENCIA, THE ONLY CARBON BLACK MANUFACTURER IN VENEZUELA, AND 40 PERCENT OF VENRESCA OF MARACAY, A MANUFACTURER OF RESINS, WHICH EXPLAINS COMPANY INTEREST IN ANDEAN PACT AND IN PARTICULAR DECISION 24.

4. DURING THIS VISIT, ASHLAND OFFICIALS MET WITH MINISTER OF MINES AND HYDROCARBONS VALENTIN HERNANDEZ. HE WELCOMED THEM, SAID THEIR VISIT WAS TIMELY, AND WAS PREPARED TO LISTEN TO ANY PROPOSALS. ASHLAND OIL OFFICIALS RESPONDED BY SAYING THEY WERE INTERESTED AND HOPEFUL OF BEING ABLE TO PARTICIPATE IN VENEZUELAN OIL INDUSTRY UNDER WHATEVER FORM IT TAKES AFTER NATIONALIZATION.

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5. COMMENT: IT IS CLEAR FROM THIS AND OTHER RECENT VISITS OF IMPORTANT U.S. OIL COMPANIES THAT EVERYBODY IS LOOKING FOR A NICHE IN NEW VENEZUELAN OIL PICTURE, AND AT SAME TIME, GIVING VENEZUELAN GOVERNMENT A VARIETY OF OPTIONS TO CONSIDER. MCCLINTOCK

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